

COST ADJUSTMENTS FOR THE WYOMING SCHOOL FUNDING MODEL

PRESENTATION TO THE
JOINT EDUCATION COMMITTEE

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The Case for Cost Adjustments

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- School districts use real resources—teachers, principals, classroom materials—to produce education
- The price of those resources is not the same from year to year or place to place
 - ▣ Inflation changes prices over time
 - ▣ Prices for labor and other educational resources vary geographically
- Price differences undermine the purchasing power of an educational dollar
- Absent cost adjustments, equal spending implies unequal real resources

Wyoming's Cost Adjustments

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- External Cost Adjustment (ECA)
- Regional Cost Adjustment (RCA)

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The Wyoming ECA

Wyoming's ECA

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- Four separate external cost adjustments applied at legislative discretion to major components of the funding model
 - ▣ Professional Staff
 - ▣ Nonprofessional Staff
 - ▣ Utilities
 - ▣ Educational Materials & other non-staff resources
- ECAs ensure that districts are able to continue purchasing same level of each real resource even if prices rise

Four Components of the Funding Model

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	Percent of Legislative Funding Model Resources (less reimbursables)
Professional staff	69%
Nonprofessional staff	15%
Utilities	3%
Educational materials and other non-staff resources	13%

ECAs Maintain the Status Quo

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- If the baseline price estimates overstate actual costs for one or more of the funding components, then applying an ECA to those funding components would simply perpetuate that overfunding
- If a baseline price estimate understates actual costs for a funding component, then applying an ECA to that baseline estimate could keep the problem from getting worse, but would not eliminate the underfunding problem

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The Wyoming RCA

Wyoming's RCA

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- Each school district's RCA is the larger of
 - The Wyoming Cost of Living Index (WCLI)
 - Average of last six bi-annual amounts
 - The Wyoming Hedonic Wage Index (2005 HWI)
 - Average of cost factors from 2003-04 and 2004-05
 - 100
- The RCA applies only to the salary components of the funding model

The 2022-23 RCA

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- 25 Districts with an RCA=100
- 19 Districts with an RCA based on the 2005 HWI
- 4 Districts with an RCA based on the WCLI
 - Laramie County #2
 - Lincoln County #2
 - Sublette County #9
 - Teton County #1

The 2022-23 RCA

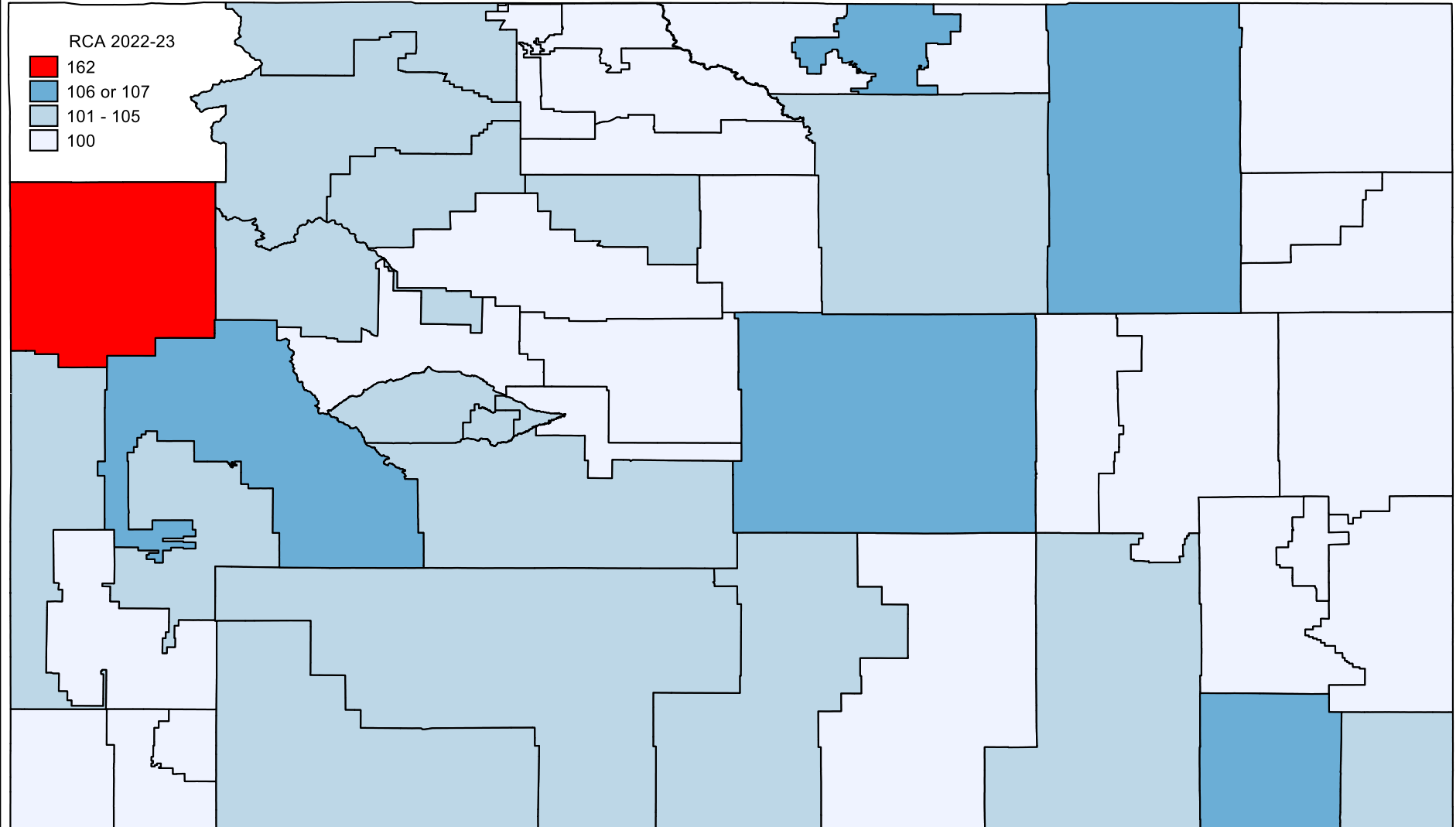
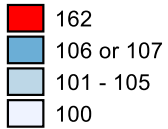
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- The RCA ranged from 100 to 162
- 55 percentage point gap between Teton County #1 and the district with the next highest RCA (107)
 - Sheridan County #2
- All other districts had an RCA between 100 and 106

The 2022-23 RCA

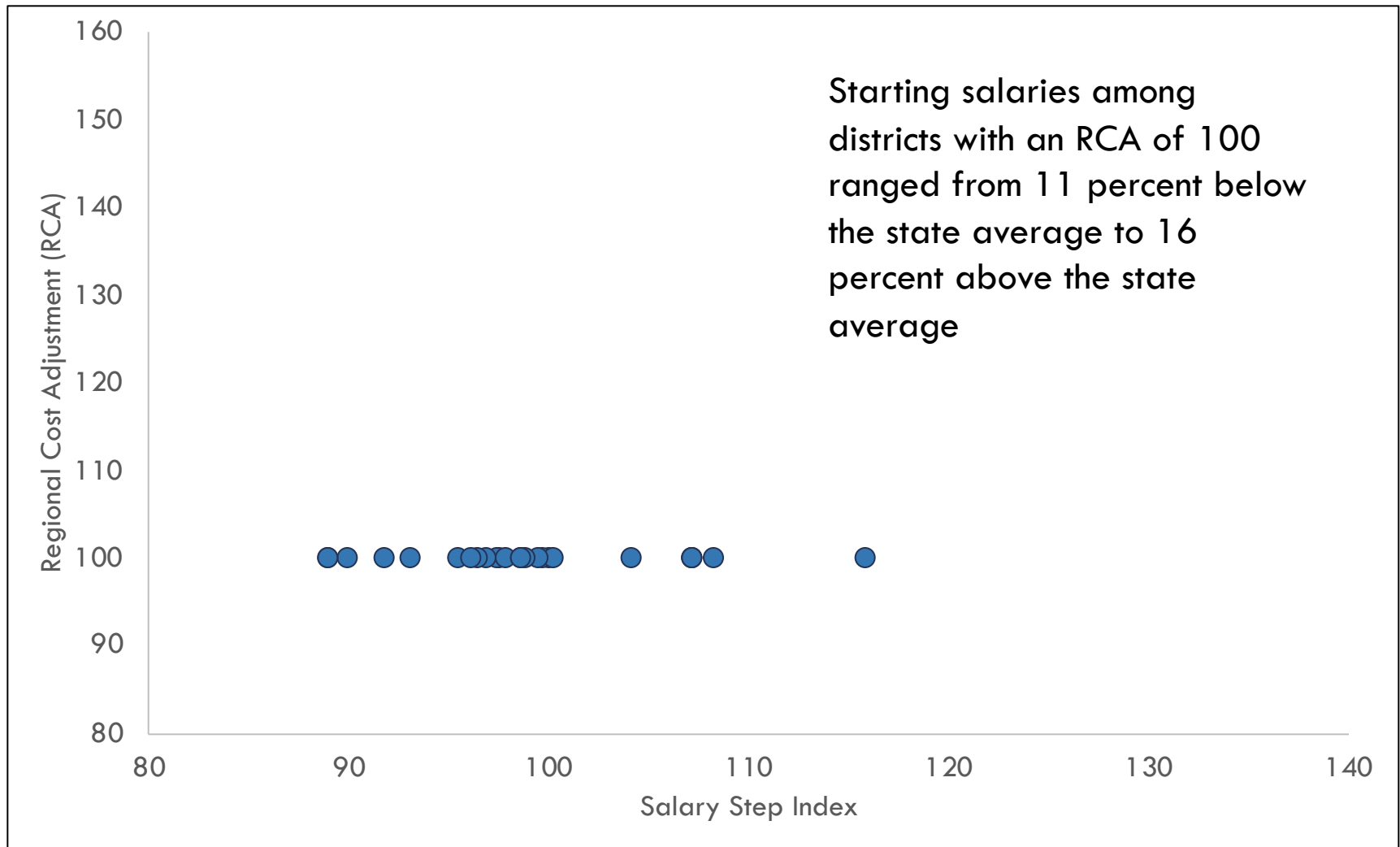
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RCA 2022-23



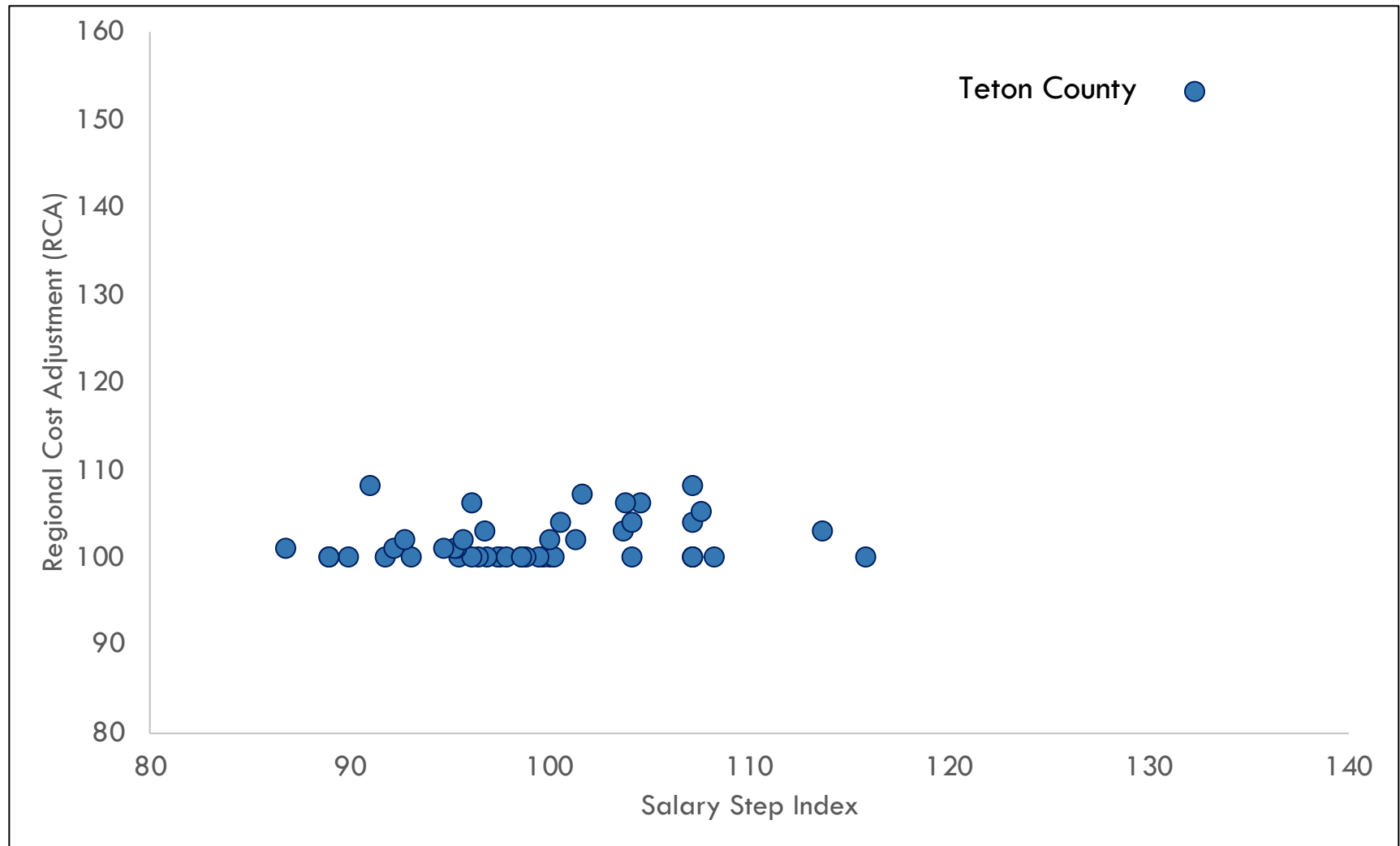
Starting Salaries versus the RCA, 2019-20

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Starting Salaries versus the RCA, 2019-20

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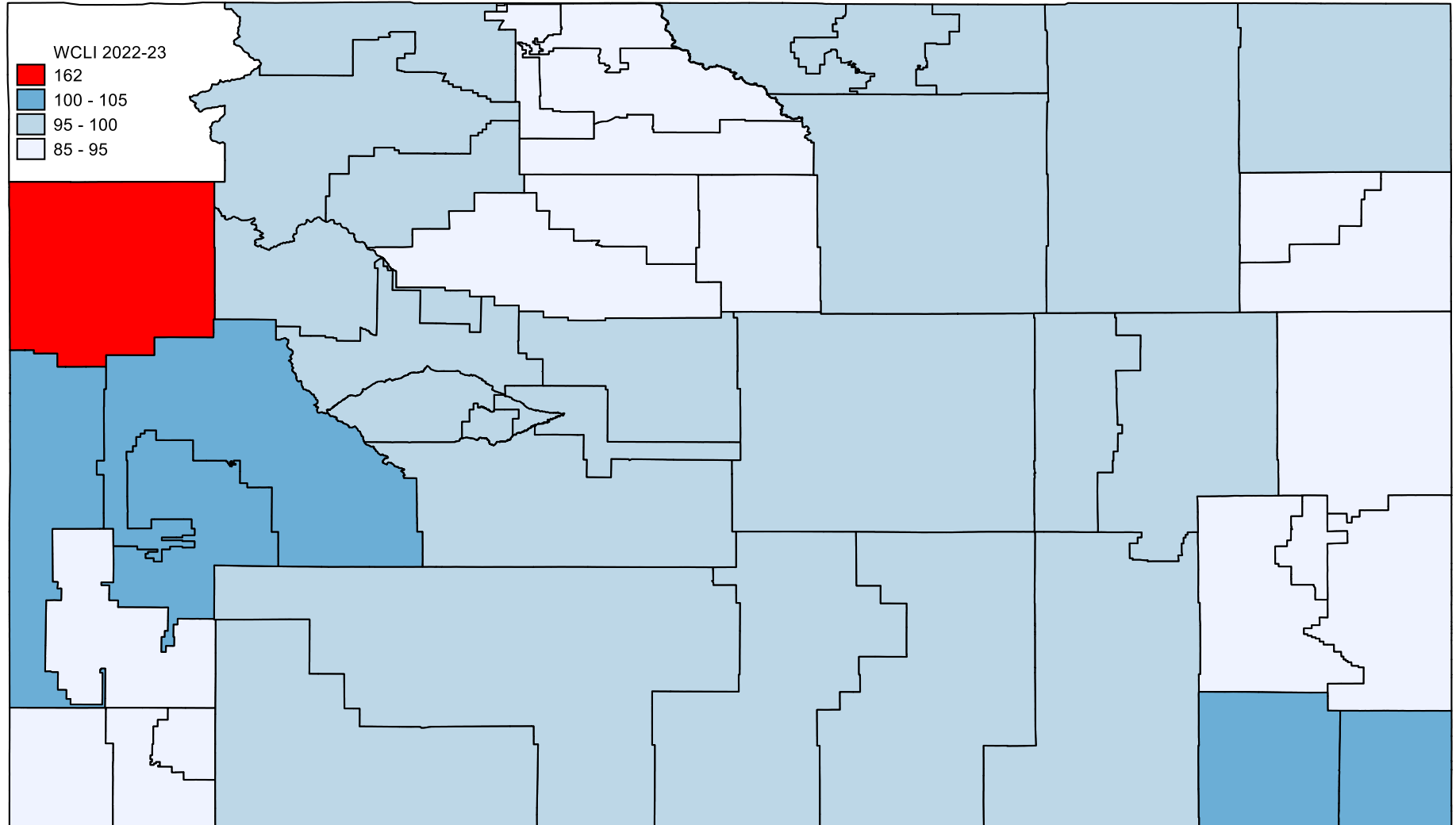
The WCLI

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- Consumer Price Index (CPI) patterned after the US CPI-Urban (CPI-U)
 - Produced bi-annually by the Wyoming Department of Administration & Information's Economic Analysis Division
- More than 95% of the variation in the WCLI comes from housing
- WCLI has a higher weight on housing than Colorado's Cost of Living Factor or the US CPI for small cities
- No adjustment for local amenities
 - Research shows that CPI's overstate the cost of hiring in locations with attractive local amenities (Stoddard 2005)

The 2022-23 WCLI (Averaged)

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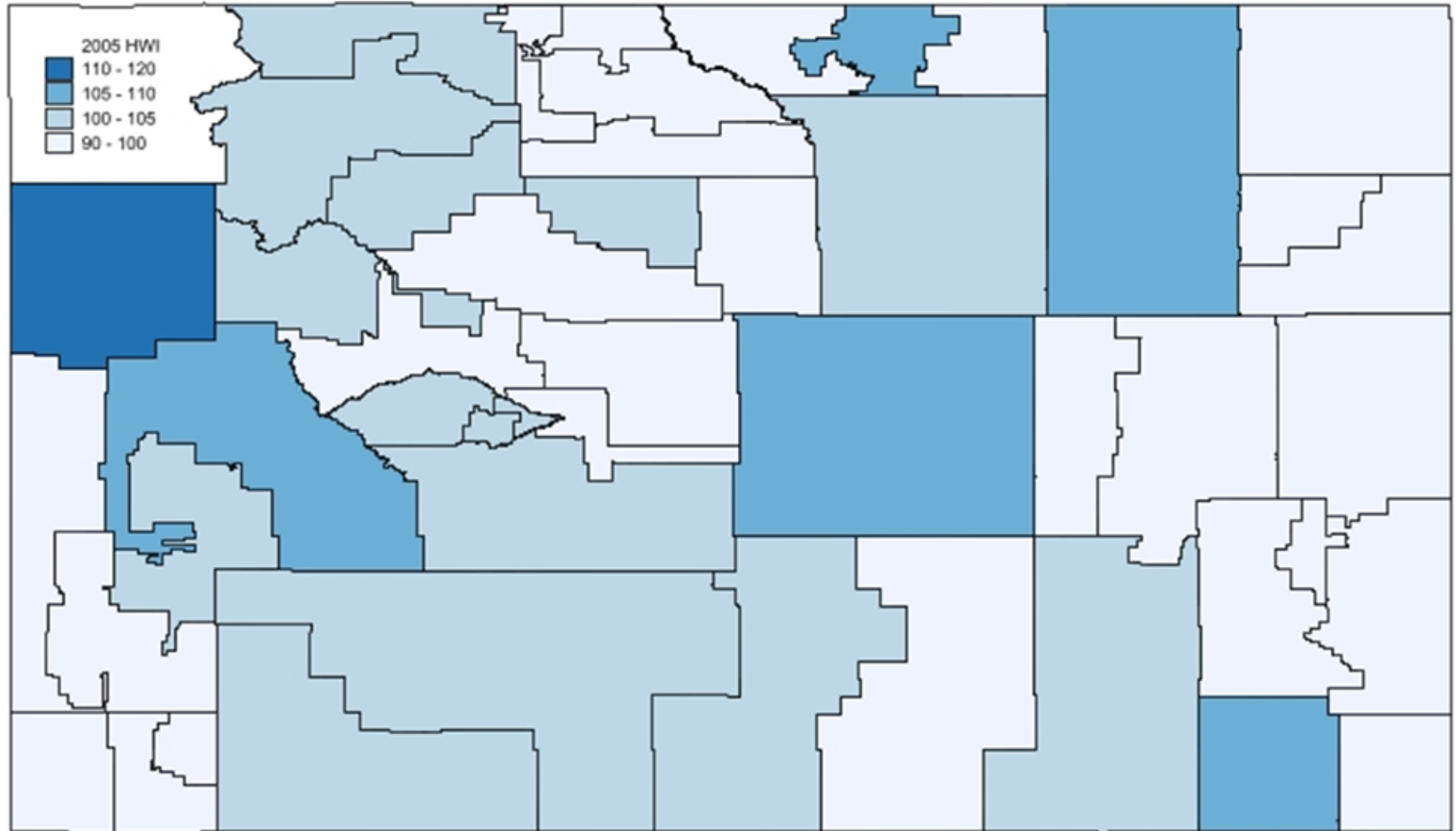
The 2005 HWI

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- Regression analysis of teacher “base salary” and other data from 2003-04 and 2004-05
- The 2005 HWI is based on the predicted, full-time “base” salary in each school district, holding constant the influence of controllable factors
- The 2005 HWI is a weighted average of a set of uncontrollable cost factors as they were in 2003-04 and 2004-05
 - WCLI; population density; distances to key locations; student demographics; and district average supplemental salaries
- State average = 100

The 2005 HWI

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Measurement Concerns about Continuing to Use the 2005 HWI

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- Much has changed since 2005
- Some of the HWI cost factors problematic
 - District's average supplemental pay circa 2005
 - Miles to Yellowstone National Park
- Estimation strategy problematic

Equity Concerns about the RCA

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- Rounding districts up to the state average defeats the purpose of regional cost adjustments
 - If one district has labor costs that are 5 percent higher than another, then real resource equity requires it to receive more funding than the other, even if both have below average costs
- The WCLI—like any cost of living index—overstates the cost of hiring in locations that have attractive amenities
- The 2005 HWI is outdated and inaccurate

Regional Cost Adjustment Strategies from Other States

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- Teacher cost index (the HWI is an example)
 - Alaska, Maine, Maryland
- Cost of Living index (WCLI is an example)
 - Colorado, Washington
- Comparable Wage index
 - Florida, Massachusetts, Missouri, New Jersey, New York, Virginia
 - Strategy also used by US Department of Education's National Center for Education Statistics (NCES)

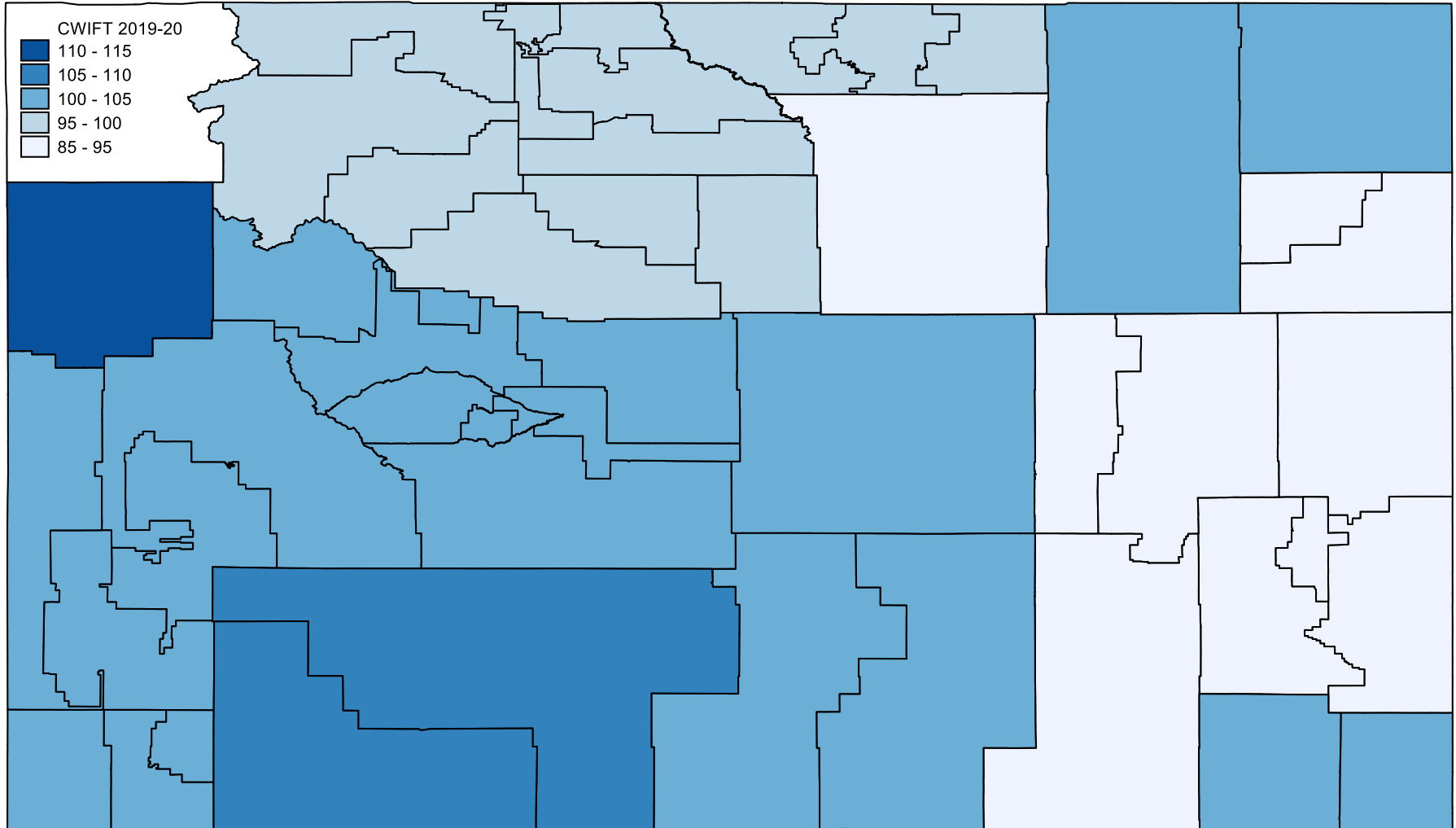
The NCES CWIFT

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- Measures the local prevailing wage for college graduates who are not educators
- Based on an analysis of the American Community Survey
- Calculated relative to the state average the CWIFT ranges from 88 to 112
 - 4 percentage point gap between Teton County #1 and the districts with the next highest CWIFT—Sweetwater County #1 & Sweetwater County2

The NCES CWIFT (2019)

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Conclusions & Recommendations

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- Cost adjustments like the ECA and RCA enhance the equity of school funding formula
- There would be substantial benefit to updating both the ECA and the RCA
- As part of the update process, the Legislature should explore replacing the three-way design of the RCA with a single index for regional cost adjustments

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Thank you